

**Glenwood Municipal Utilities
Independent Auditors' Report
Basic Financial Statements and
Supplementary Information
Schedule of Findings**

June 30, 2011 and 2010

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**Glenwood Municipal Utilities
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Dean	Trustee/Chairperson	January 2013
Darrell Mayberry	Trustee	January 2012
Doug Meggison	Trustee	January 2013
Lonnie Mayberry	Trustee	January 2016
Dick Davis	Trustee	January 2012
Rosemarie McDuffie	Secretary	Indefinite



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

January 19, 2012

Independent Auditors' Report

To the Board of Trustees
Glenwood Municipal Utilities
Glenwood, IA 51534

We have audited the accompanying financial statements of the business type activities and each major fund of the Glenwood Municipal Utilities, a component unit of the Utilities of Glenwood, as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Glenwood Municipal Utilities management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of the Glenwood Municipal Utilities at June 30, 2011 and 2010, and the changes in its financial position and the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued our report dated January 19, 2012, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Continued...

January 19, 2012
Glenwood Municipal Utilities
Independent Auditors' Report

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7, and pages 19 through 20, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Information in Schedules 2, 3, and 4, relating to gallons pumped, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Schroer and Associates, P.C.

Glenwood Municipal Utilities

Management's Discussion and Analysis

Glenwood Municipal Utilities provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

Financial Highlights

- The Utilities' total water and sewer operating revenues increased \$251,161 from fiscal 2010 to fiscal 2011.
- The Utilities' total water and sewer operating expenses increased \$173,325, from fiscal 2010 to fiscal 2011.
- The Utilities' net assets increased \$67,838, from fiscal year end 2010 to fiscal year end 2011.
- The Utilities' total water and sewer operating loss decreased \$77,836, from fiscal 2010 to fiscal 2011.

The increase in operating revenues from fiscal year 2010 to 2011 was primarily a result of rate increases implemented in fiscal year 2011. The increase in operating expenses was primarily due to an increase in depreciation.

Using This Annual Report

The Glenwood Municipal Utilities presents its financial statements using accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Glenwood Municipal Utilities basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Statement of Net Assets presents information on the Utilities' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utilities operating revenues and expenses, non-operating revenues and expenses and whether the Utilities' financial position has improved or deteriorated as a result of the years activities.

The Statement of Cash Flows presents the change in the Utilities' cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utilities financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Utilities

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utilities' financial position. The Utilities' net assets for fiscal 2011 totaled approximately \$9,946,958. This compares to \$9,879,120 for fiscal 2010. A summary of the Utilities' net assets is presented below.

	Net Assets	
	June 30, 2011	2010
Invested in capital assets, net of related debt	\$ 7,071,696	\$ 7,089,959
Restricted for: Customer Deposits	131,904	136,179
Unrestricted	375,907	285,531
Contributed Capital	<u>2,367,451</u>	<u>2,367,451</u>
Net Assets	\$ <u>9,946,958</u>	\$ <u>9,879,120</u>

The largest portion of the Utilities' net assets is invested in capital assets – (71 %, e.g., land, buildings, equipment and machinery), less the related debt portion of net asset are resources allocated to capital assets. The next largest portion is unrestricted net assets - (24 %, e.g., with contributed capital) that can be used to meet the Utilities' obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for water and sewer sales and charges for services for customers attached to the appropriate systems including Glenwood, Pacific Junction and outlying areas. Operating expenses are expenses paid to operate the appropriate water and sewer systems and facilities. Non-operating revenues and expenses are for interest income and expense, rent, fees and penalties and parts sales. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ending June 30, 2011 and 2010 is presented below:

	Changes in Net Assets	
	Year ended June 30, 2011	2010
Operating Revenues		
Water sales	\$ 777,652	\$ 731,776
Sewer sales	1,068,548	860,286
Charges for services	72,002	74,979
Total operating revenues	1,918,202	1,667,041
Operating Expenses		
Salaries	432,442	416,247
Employee benefits	194,025	160,685
Contracted services	39,248	67,384
Utilities	138,930	121,904
Telephone	21,351	21,170
Chemicals	97,775	63,661
Supplies	31,030	30,035
Computer expenses	524	32
Office supplies	12,168	5,571
Postage and freight	16,650	14,707
Insurance	49,044	45,672
Repairs and maintenance	146,416	193,095
Legal and accounting	6,029	5,401
Engineering	19,553	38,455
Miscellaneous	5,323	6,671
Depreciation	793,372	639,865
Total operating expenses	2,003,880	1,830,555
Operating loss	\$ (85,678)	\$ (163,514)
Non-operating Revenues (Expenses)		
Interest income	4,616	19,027
Rent	15,391	18,890
Dedicated materials	68,150	2,336,220
Miscellaneous	8,149	116
Collection fees	10,200	9,051
Surcharges	2,559	2,582
Penalty charges	33,487	29,718
Gain on sale of assets	-	(8,723)
Merchandise and part sales	37,728	26,992
Cost of merchandise and parts	(26,764)	(19,514)
Net non-operating revenues (expenses)	153,516	2,414,359
Changes in net assets	\$ 67,838	\$ 2,250,845
Net assets, beginning of year	9,879,120	7,628,275
Net assets, end of year	\$ 9,946,958	\$ 9,879,120

The Statement of Revenues, Expenses and Changes in Net Assets reflects a flat year with an increase in the net assets of approximately .69%. The extra revenue generated from the rate increase was outweighed by costs to prepare for possible flooding of the treatment plant.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes water and sewer sales and assessments reduced by payments for operations and to suppliers. Cash provided by other investment income includes penalties, charges and rent payments.

Individual Major Fund Analysis

The net assets of the water fund decreased \$29,474 to \$5,190,508.

The net assets of the sewer fund increased \$97,312 to \$4,756,450, primarily due to rate increases.

Capital Assets

At June 30, 2011, the Utilities had approximately \$7,072,000 invested in capital assets, net of accumulated depreciation of approximately \$19,850,000. Depreciation charges totaled approximately \$793,000 for fiscal year 2011. With the threat of flooding this past summer, the Utility was forced to make temporary modifications to the treatment plant. Additional costs will be incurred in fiscal year 2012 to create a more permanent safeguard against future flooding issues. More detailed information about the Utilities' capital assets is presented in Schedule 1 of the Audit Report.

Long-Term Debt

The Utilities had no long term debt at June 30, 2010 or 2011.

Economic Factors

Glenwood Municipal Utilities continued to improve its financial position during the current fiscal year. However, the current condition of the economy continues to be a concern for Utilities officials. Some of the realities that may potentially become challenges for the Utilities to meet are:

- Facilities of the Utilities require constant maintenance and upkeep with infrastructure.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain operational and efficient technology at a reasonable cost.
- Continuing the productive and efficient operations for the Utilities as well as the sound business decisions needed with an outlook to future demands and community betterment.

The Utilities anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Utilities ability to react to unknown issues.

Contacting the Utilities Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or financial information, contact Glenwood Municipal Utilities, 107 ½ South Locust Street, Glenwood, Iowa.

Basic Financial Statements

Glenwood Municipal Utilities
Statement of Net Assets
June 30, 2011
(With Comparative Totals for 2010)

	ASSETS		Total	Total
	Water	Sewer	2011	2010
Current Assets				
Unrestricted				
Cash	\$ 1,205,882	\$ 208,234	\$ 1,414,116	\$ 1,294,382
Investments	163,895	162,001	325,896	958,627
Accounts receivable	80,491	86,615	167,106	145,035
Accounts receivable - other	17,443	-	17,443	15,009
Unbilled usage	29,199	44,563	73,762	70,091
Inventory	41,203	22,230	63,433	57,177
Total unrestricted current assets	1,538,113	523,643	2,061,756	2,540,321
Restricted				
Customer deposits	131,904	-	131,904	136,179
Total current assets	1,670,017	523,643	2,193,660	2,676,500
Property and Equipment				
Land	71,621	-	71,621	71,621
Buildings	2,019,172	6,181,090	8,200,262	8,176,190
Machinery	6,889,122	10,887,357	17,776,479	17,120,484
Equipment	350,723	522,913	873,636	876,836
	9,330,638	17,591,360	26,921,998	26,245,131
Less accumulated depreciation	5,759,308	14,090,994	19,850,302	19,155,172
Total property and equipment	3,571,330	3,500,366	7,071,696	7,089,959
Other Assets				
Construction in progress	328,204	826,356	1,154,560	475,769
	328,204	826,356	1,154,560	475,769
Total assets	\$ 5,569,551	\$ 4,850,365	\$ 10,419,916	\$ 10,242,228

Glenwood Municipal Utilities
Statement of Net Assets
June 30, 2011
(With Comparative Totals for 2010)

LIABILITIES AND NET ASSETS				
	Water	Sewer	Total 2011	Total 2010
Current Liabilities				
Payable from unrestricted current assets:				
Accounts payable	\$ 188,890	\$ 85,923	\$ 274,813	\$ 173,775
Recycling fees payable - Glenwood	5,588	-	5,588	5,672
Sewer fees payable - P. J.	13,912	-	13,912	13,763
Sales tax payable	4,308	1,234	5,542	5,001
Implicit OPEB liability	2,930	2,930	5,860	
Accrued wages and vacation payable	31,511	3,828	35,339	28,718
Total payables from unrestricted current assets	247,139	93,915	341,054	226,929
Payable from restricted current assets:				
Customer deposits	131,904	-	131,904	136,179
Total liabilities	379,043	93,915	472,958	363,108
Net Assets				
Invested in capital assets, net of related debt	3,571,330	3,500,366	7,071,696	7,089,959
Restricted for:				
Customer deposits	131,904	-	131,904	136,179
Unrestricted	1,487,274	(1,111,367)	375,907	285,531
Contributed Capital	-	2,367,451	2,367,451	2,367,451
Total net assets	5,190,508	4,756,450	9,946,958	9,879,120
Total liabilities and net assets	\$ 5,569,551	\$ 4,850,365	\$ 10,419,916	\$ 10,242,228

See accompanying notes to financial statements

Glenwood Municipal Utilities
Statement of Revenues, Expenses, and
Changes in Net Assets
For the year ended June 30, 2011
(With Comparative Totals for 2010)

	Water	Sewer	Total 2011	Total 2010
Operating Revenues				
Water sales	\$ 777,652	\$ -	\$ 777,652	\$ 731,776
Sewer sales	-	1,068,548	1,068,548	860,286
Charges for services	27,952	44,050	72,002	74,979
Total operating revenues	805,604	1,112,598	1,918,202	1,667,041
Operating Expenses				
Salaries	207,637	224,805	432,442	416,247
Employee benefits	90,460	103,565	194,025	160,685
Contracted services	14,342	24,906	39,248	67,384
Utilities	60,196	78,734	138,930	121,904
Telephone	13,895	7,456	21,351	21,170
Chemicals	94,730	3,045	97,775	63,661
Supplies	18,299	12,731	31,030	30,035
Computer expenses	262	262	524	32
Office supplies	7,117	5,051	12,168	5,571
Postage and freight	8,346	8,304	16,650	14,707
Insurance	24,228	24,816	49,044	45,672
Repairs and maintenance	83,998	62,418	146,416	193,095
Legal and accounting	3,192	2,837	6,029	5,401
Engineering	13,805	5,748	19,553	38,455
Miscellaneous	2,432	2,891	5,323	6,671
Depreciation	306,459	486,913	793,372	639,865
Total operating expenses	949,398	1,054,482	2,003,880	1,830,555
Operating income (loss)	(143,794)	58,116	(85,678)	(163,514)
Non-operating revenues (expenses)				
Interest income	2,378	2,238	4,616	19,027
Rent	13,545	1,846	15,391	18,890
Dedicated materials	57,866	10,284	68,150	2,336,220
Miscellaneous	5,958	2,191	8,149	116
Collection fees	10,200	-	10,200	9,051
Surcharges	2,559	-	2,559	2,582
Penalty charges	16,073	17,414	33,487	29,718
Loss on disposal of assets	-	-	-	(8,723)
Merchandise and part sales	23,119	14,609	37,728	26,992
Cost of merchandise and parts	(17,378)	(9,386)	(26,764)	(19,514)
Net non-operating revenues (expenses)	114,320	39,196	153,516	2,414,359
Change in net assets	(29,474)	97,312	67,838	2,250,845
Net assets, beginning of year	5,219,982	4,659,138	9,879,120	7,628,275
Net assets, end of year	\$ 5,190,508	\$ 4,756,450	\$ 9,946,958	\$ 9,879,120

See accompanying notes to financial statements

Glenwood Municipal Utilities
Statement of Cash Flows
For the year ended June 30, 2011
(With Comparative Totals for 2010)

	Water	Sewer	Total 2011	Total 2010
Cash Flows From Operating Activities:				
Cash received from customers	\$ 797,734	\$ 1,088,017	\$ 1,885,751	\$ 1,691,513
Cash payments for goods and services	(289,178)	(324,808)	(613,986)	(506,222)
Cash payments to employees	(203,511)	(285,142)	(488,653)	(573,460)
Net cash provided by operating activities	305,045	478,067	783,112	611,831
Cash Flows From Capital and Related Financial Activities:				
Acquisition and construction of capital assets	(550,713)	(835,033)	(1,385,746)	(1,001,101)
Net cash used for capital and related financing activities	(550,713)	(835,033)	(1,385,746)	(1,001,101)
Cash Flows From Investing Activities:				
Interest received on investments	2,378	2,238	4,616	19,027
Investment proceeds	379,348	256,316	635,664	580,186
Investments purchased and reinvested interest	(1,339)	(1,594)	(2,933)	(16,086)
Other nonoperating income received	54,076	26,670	80,746	59,113
Net cash provided by investing activities	434,463	283,630	718,093	642,240
Net change in cash	188,795	(73,336)	115,459	252,970
Cash, Beginning of Year	1,148,991	281,570	1,430,561	1,177,591
Cash, End of Year	<u>\$ 1,337,786</u>	<u>\$ 208,234</u>	<u>\$ 1,546,020</u>	<u>\$ 1,430,561</u>
Cash Consists of the Following Amounts:				
Unrestricted:				
Cash	\$ 1,205,882	\$ 208,234	1,414,116	\$ 1,294,382
Restricted:				
Customer deposits	131,904	-	131,904	136,179
	<u>\$ 1,337,786</u>	<u>\$ 208,234</u>	<u>\$ 1,546,020</u>	<u>\$ 1,430,561</u>

Exhibit C
Continued

Glenwood Municipal Utilities
Statements of Cash Flows
For the year ended June 30, 2011
(With Comparative Totals for 2010)

	Water	Sewer	Total 2011	Total 2010
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (143,794)	\$ 58,116	\$ (85,678)	\$ (163,514)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	306,459	486,913	793,372	639,865
Loss on disposal of equipment	-	-	-	8,723
Net (increase) decrease in:				
Accounts receivable	(6,915)	(17,590)	(24,505)	12,493
Unbilled usage	3,320	(6,991)	(3,671)	(3,232)
Prepaid insurance	-	-	-	49,197
Inventories	(10,561)	4,305	(6,256)	(13,460)
Net increase (decrease) in:				
Accounts payable	151,761	(50,658)	101,103	73,254
Accrued wages and benefits payable	8,919	3,562	12,481	3,472
Sales tax payable	131	410	541	(1,455)
Customer deposits	(4,275)	-	(4,275)	6,488
Net cash provided by operating activities	<u>\$ 305,045</u>	<u>\$ 478,067</u>	<u>\$ 783,112</u>	<u>\$ 611,831</u>

See accompanying notes to financial statements

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 Summary of Significant Accounting Policies

The Glenwood Municipal Utilities is a municipal utility. The utility produces and distributes water and provides sewer services to the residents of Glenwood, Pacific Junction and nearby rural areas.

Glenwood Municipal Utilities is a component unit of the City of Glenwood. The Utility is legally separate from the City but is financially accountable to the City. The Utility is governed by a five-member board appointed by the Mayor subject to approval by the City Council, and the Utilities' budget is approved by the City Council.

The Utilities' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Glenwood Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utility Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility Board are such that exclusion would cause the Utility Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Utility Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utility Board. Glenwood Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Glenwood Municipal Utilities are organized as Enterprise Funds. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fund Financial Statements – Major individual enterprise funds are reported as separate columns in the fund financial statements. The Utilities' major enterprise funds reported are sewer and water.

Measurement Focus and Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2011 and 2010**

NOTE 1 Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

Measurement Focus and Basis of Accounting - Continued

The Utility Board applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility Board's principal ongoing operations. Water and sewer revenues are based on billing rates that are applied to customers' accounts based on their consumption of water. The Glenwood Municipal Utilities records estimated unbilled revenues at the end of accounting periods. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents – The Glenwood Municipal Utilities considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, have a maturity date no longer than three months.

Investments – Investments are stated at cost, which approximates market value.

Customer Accounts and Unbilled Usage - Accounts receivable are recorded at the time the service is billed and are presented at their net realizable value. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Inventory – Materials and supplies are valued at the lower of cost or market using the first-in/first-out method and inventories are expensed as they are consumed.

Dedicated Materials – When the Utility has construction projects in the service area typically the tenant or contractor is responsible for the cost of the development. However, when the development is finished the maintenance and upkeep of those service lines and equipment are the responsibility of the Utility. Therefore, ownership of those lines is typically transferred to the Utility. The value of those lines and equipment are determined by the Utilities engineer based on costs at the time of dedication.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2011 and 2010**

NOTE 1 Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Net Investments - Continued

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Capital assets are defined by the Utilities Board as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Water towers and system	2,000
Sewer system	2,000
Equipment	2,000
Vehicles	2,000

Capital assets of the Utility Board are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Water towers	40 years
Buildings	30 years
Water mains and hydrants	30 Years
Sewer system	30 Years
Equipment	5-10 years
Vehicles	7 years

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amended budgeted amounts.

NOTE 2 Cash and Investments

The Utility Board's deposits in banks at June 30, 2011 and 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2011 and 2010**

NOTE 2 Cash and Investments - Continued

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

Interest rate risk

The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Utility.

NOTE 3 Restricted Assets

Restricted assets represent monies set aside for customer deposits.

Water:	Balance 06-30-10	Net Change	Balance 06-30-11
Customer Deposits	\$ 136,179	\$ (4,275)	\$ 131,179

NOTE 4 Pension and Retirement Benefits

The Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the Department is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2011 and 2010, were approximately \$29,800 and \$27,500, respectively, equal to the required contributions for each year.

NOTE 5 Compensated Absences

Glenwood Municipal Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use, or for payment upon termination, retirement or death. The accumulated liability for accrued vacation totaled approximately \$16,300 and \$15,500 as of June 30, 2011 and 2010, respectively. This liability has been computed based on rates of pay as of the end of the fiscal year.

Sick leave may be accumulated up to 100 days. The Glenwood Municipal Utilities has a policy that sick leave is lost upon termination, retirement or death. Therefore, these accumulations are not recognized as expenditures until used or paid.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2011 and 2010**

NOTE 6 Recycling Fees Payable

The Glenwood Municipal Utilities acts as a collecting agent for the City of Glenwood for recycling fees. Customer bills include allocations for water, recycling and sewer. Collected fees are deposited and then monthly totals are remitted to the City.

During the current period the Board remitted the following amounts to the City of Glenwood:

Recycling fees	\$	33,003
Penalty on Recycling fees		663
Total	\$	<u>33,666</u>

As of June 30, the following amounts are payable to the City of Glenwood:

	<u>2011</u>	<u>2010</u>
Recycling fees and penalties	\$ <u>5,589</u>	\$ <u>5,672</u>

NOTE 7 Purchase of Water Distribution System

On July 1, 1993, the Municipal Utility entered into an agreement with an adjoining municipality for a non-exclusive franchise to construct and operate a distribution system within the municipality. The Glenwood Municipal Utilities assumed an obligation of the municipality with Farmer's Home Administration. This obligation was paid in full on August 18, 1993 with payment of principal of \$96,000 and interest of \$3,025. The Board is imposing a surcharge on the customers within the municipality to reimburse the Board for payment of this obligation.

The balance was paid off during fiscal year 2010.

NOTE 8 Risk Management

Glenwood Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Municipal Utility assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 Supplemental Cash Flow Information

The Utility received dedicated materials in the fiscal years ended June 30, 2011 and 2010 of \$68,150 and \$2,336,220 respectively. The most significant materials were water and sewer lines placed in service in the Lake Ohana, Woodfield Subdivision, Pacific Junction, and Glenwood High School. These amounts are not reflected in the statement of cash flows.

NOTE 10 Reclassifications

Some prior year income and expense items have been reclassified in the prior year to conform with current year classifications.

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 11 Construction in Progress

The water plant and sewer plant had several projects started for the years ended June 30, 2011 and 2010 with costs totaling \$1,154,560 and \$475,769, respectively, which are reported as construction in progress. Contracts with future commitments are listed below.

	Estimated Contract Amount	Incurred to Date	Remaining Commitment	Retainage Payable
PJ Sewer Lift Station				
Engineering	\$ 120,078	120,078	-	-
Construction	572,358	558,484	13,874	27,924
190th & Hwy 34 Relocation				
Engineering	\$ 28,102	7,324	20,778	-
Construction	143,279	-	143,279	-
		\$	<u>177,931</u>	<u>27,924</u>

NOTE 12 Other Postemployment Benefits (OPEB)

Plan description – The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 10 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding policy – The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$554 for single coverage and \$1,386 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, there were no plan members eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation – The Utilities annual OPEB cost is a calculation based on the annual required contribution (ARC) of the Utility, an amount determined under the alternative measurement method in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Utility's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 5,635
Interest on net OPEB obligation	<u>225</u>
Annual OPEB cost	5,860
Contributions made	<u>-</u>
Increase in net OPEB obligation	5,860
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	\$ <u>5,860</u>

Required Supplementary Information

**Glenwood Municipal Utilities
Budgetary Comparison Schedule of
Revenues and Expenditures – Actual to Budget
Required Supplementary Information
Year Ended June 30, 2011**

	Actual 2011	Original Budget	Final Budget	Final Budget to Actual Variance
Revenues:				
Water sales	\$ 777,652	\$ 756,000	\$ 781,500	\$ (3,848)
Sewer sales	1,068,548	880,000	1,000,000	68,548
Charges for service	72,002	76,400	74,255	(2,253)
Interest	4,616	21,000	6,000	(1,384)
Rent	15,391	18,730	18,880	(3,489)
Dedicated materials	68,150	-	-	68,150
Merchandise and parts sales	37,728	19,750	40,000	(2,272)
Other	54,395	39,525	47,470	6,925
Total revenues	2,098,482	1,811,405	1,968,105	130,377
Expenditures:				
Production Expense:				
Fixed costs	896,179	1,002,833	953,980	57,801
Variable costs	8,214	19,000	14,175	5,961
Supplies	16,698	17,550	16,800	102
Chemicals and freight	97,775	77,150	71,650	(26,125)
Maintenance and repairs	63,719	74,850	76,100	12,381
Total production expense	1,082,585	1,191,383	1,132,705	50,120
Distribution Expense:				
Fixed costs	588,766	472,162	367,468	(221,298)
Variable costs	13,202	35,500	25,050	11,848
Supplies	9,918	8,700	8,700	(1,218)
Maintenance and repairs	73,153	116,500	95,500	22,347
Total distribution expense	685,039	632,862	496,718	(188,321)
Administrative:				
Fixed costs	170,670	148,564	148,710	(21,960)
Variable costs	60,004	33,150	49,100	(10,904)
Supplies	4,415	6,000	5,000	585
Maintenance and repairs	1,167	4,600	1,800	633
Total administrative	236,256	192,314	204,610	(31,646)
Total expenditures	2,003,880	2,016,559	1,834,033	(169,847)
Cost of merchandise sold	26,764	14,000	27,500	736
Total budgeted disbursements	2,030,644	2,030,559	1,861,533	(169,111)
Excess (deficiency) of revenues over (under) budgeted disbursements	\$ 67,838	\$ (219,154)	\$ 106,572	\$ (38,734)

See accompanying independent auditors' report

Glenwood Municipal Utilities
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

In accordance with the Code of Iowa, the Utility Board annually adopts a budget on the accrual basis following required public notice and hearing. The budget is subject to approval by the City of Glenwood. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year, one budget amendment increased budgeted revenues \$156,700 and decreased budgeted disbursements \$169,026.

During the year ended June 30, 2011, disbursements exceeded the amended budgeted amount.

**Glenwood Municipal Utilities
Other Supplementary Information**

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Water
June 30, 2011

	COST			
	Balance 6/30/2010	Additions	Disposals	Balance 6/30/2011
Production Plant				
Land	\$ 45,648	\$ -	\$ -	\$ 45,648
Buildings	563,669	25,347	14,251	574,765
Machinery	1,176,441	40,969	-	1,217,410
Equipment	135,540	-	-	135,540
Total production plant	1,921,298	66,316	14,251	1,973,363
Distribution Plant				
Land	25,973	-	-	25,973
Buildings	1,444,406	-	-	1,444,406
Machinery	5,403,332	272,214	3,834	5,671,712
Equipment	72,208	-	-	72,208
Total distribution plant	6,945,919	272,214	3,834	7,214,299
Administration				
Equipment	147,901	1,725	6,650	142,976
Total	\$ 9,015,118	\$ 340,255	\$ 24,735	\$ 9,330,638

	ACCUMULATED DEPRECIATION			
	Balance 6/30/2010	Depreciation	Disposals	Balance 6/30/2011
Production Plant				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	477,243	25,212	14,251	488,204
Machinery	1,078,196	20,380	-	1,098,576
Equipment	103,817	15,466	-	119,283
Total production plant	1,659,256	61,058	14,251	1,706,063
Distribution Plant				
Land	-	-	-	-
Buildings	586,848	74,719	-	661,567
Machinery	3,071,890	154,650	3,834	3,222,706
Equipment	54,917	8,582	-	63,499
Total distribution plant	3,713,655	237,951	3,834	3,947,772
Administration				
Equipment	104,673	7,450	6,650	105,473
Total	\$ 5,477,584	\$ 306,459	\$ 24,735	\$ 5,759,308

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Sewer
June 30, 2011

	COST			
	Balance 6/30/2010	Additions	Disposals	Balance 6/30/2011
Production Plant				
Buildings	\$ 5,410,947	\$ 86,482	\$ 73,506	\$ 5,423,923
Machinery	4,677,328	65,410	-	4,742,738
Equipment	289,087	-	-	289,087
Total production plant	10,377,362	151,892	73,506	10,455,748
Distribution Plant				
Buildings	757,167	-	-	757,167
Machinery	5,863,382	281,236	-	6,144,618
Equipment	184,613	-	-	184,613
Total distribution plant	6,805,162	281,236	-	7,086,398
Administration				
Equipment	47,489	1,725	-	49,214
Total	<u>\$ 17,230,013</u>	<u>\$ 434,853</u>	<u>\$ 73,506</u>	<u>\$ 17,591,360</u>
ACCUMULATED DEPRECIATION				
	Balance 6/30/2010	Additions	Disposals	Balance 6/30/2011
Production Plant				
Buildings	\$ 4,912,383	\$ 235,753	\$ 73,506	\$ 5,074,630
Machinery	3,751,633	179,761	-	3,931,394
Equipment	281,741	3,465	-	285,206
Total production plant	8,945,757	418,979	73,506	9,291,230
Distribution Plant				
Buildings	510,030	16,724	-	526,754
Machinery	4,069,160	27,991	-	4,097,151
Equipment	148,380	15,165	-	163,545
Total distribution plant	4,727,570	59,880	-	4,787,450
Administration				
Equipment	4,261	8,053	-	12,314
Total	<u>\$ 13,677,588</u>	<u>\$ 486,912</u>	<u>\$ 73,506</u>	<u>\$ 14,090,994</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Water Expenses Per 1,000 Gallons of Water Finished
For the Years Ended June 30, 2011 and 2010

	2011	Per 1,000 Gallons	2010	Per 1,000 Gallons
Operating Expenses				
Salaries	\$ 207,637	0.85	\$ 198,955	0.84
Employee benefits	90,460	0.37	78,741	0.33
Contracted services	14,342	0.06	13,870	0.06
Utilities	60,196	0.25	59,646	0.25
Telephone	13,895	0.06	13,789	0.06
Chemicals	94,730	0.39	59,687	0.25
Supplies	18,299	0.07	17,190	0.07
Computer expenses	262	0.00	16	0.00
Office supplies	7,117	0.03	2,818	0.01
Postage and freight	8,346	0.03	7,342	0.03
Insurance	24,228	0.10	21,988	0.09
Repairs and maintenance	83,998	0.34	96,032	0.41
Legal and accounting	3,192	0.01	2,701	0.01
Engineering	13,805	0.06	7,233	0.03
Miscellaneous	2,432	0.01	4,643	0.02
Depreciation	306,459	1.25	225,858	0.96
Total operating expenses	<u>\$ 949,398</u>	<u>3.87</u>	<u>\$ 810,509</u>	<u>3.44</u>
Total Gallons Pumped	264,527,000	100.00%	252,987,000	100.00%
Total Gallons Finished	245,443,500	92.79%	235,577,500	93.12%
Total Gallons Finished	245,443,500	92.79%	235,577,500	93.12%
Total Gallons Billed and City Use	<u>204,500,985</u>	<u>77.31%</u>	<u>220,553,776</u>	<u>87.18%</u>
Gallons Unaccounted For	40,942,515	15.48%	15,023,724	5.94%

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Billed
For the Years Ended June 30, 2011 and 2010

	2011	Per 1,000 Gallons	2010	Per 1,000 Gallons
Operating Expenses				
Salaries	\$ 224,805	1.66	\$ 217,292	1.68
Employee benefits	103,565	0.76	81,944	0.63
Contracted services	24,906	0.18	53,514	0.41
Utilities	78,734	0.58	62,258	0.48
Telephone	7,456	0.06	7,381	0.06
Chemicals	3,045	0.02	3,974	0.03
Supplies	12,731	0.09	12,845	0.10
Computer expenses	262	0.00	16	0.00
Office supplies	5,051	0.04	2,753	0.02
Postage and freight	8,304	0.06	7,365	0.06
Insurance	24,816	0.18	23,684	0.18
Repairs and maintenance	62,418	0.46	97,063	0.75
Legal and accounting	2,837	0.02	2,700	0.02
Engineering	5,748	0.04	31,222	0.24
Miscellaneous	2,891	0.02	2,028	0.02
Depreciation	486,913	3.60	414,007	3.21
Total operating expenses	<u>\$ 1,054,482</u>	<u>7.79</u>	<u>\$ 1,020,046</u>	<u>7.90</u>

Total Gallons		
Wastewater Billed	<u>135,426,318</u>	<u>129,111,793</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Water and Sewer Sales and Expenses Per 1,000 Gallons
For the Periods Ended June 30, 2011 and 2010

Schedule 4

WATER

	<u>6/30/2011</u>		<u>6/30/2010</u>	
	<u>Total</u>	<u>Cost Per 1,000 Gallons Sold</u>	<u>Total</u>	<u>Cost Per 1,000 Gallons Sold</u>
Operating revenue	\$ 805,604	\$ 3.94	\$ 765,255	\$ 3.47
Operating expenses	<u>949,398</u>	<u>4.64</u>	<u>810,509</u>	<u>3.67</u>
Operating income	<u>\$ (143,794)</u>	<u>\$ (0.70)</u>	<u>\$ (45,254)</u>	<u>\$ (0.21)</u>
 Total Gallons Billed and City Use	 <u>204,500,985</u>		 <u>220,553,776</u>	

SEWER

	<u>6/30/2011</u>		<u>6/30/2010</u>	
	<u>Total</u>	<u>Cost Per 1,000 Gallons</u>	<u>Total</u>	<u>Cost Per 1,000 Gallons</u>
Operating revenue	\$ 1,112,598	\$ 8.22	\$ 901,786	\$ 6.98
Operating expenses	<u>1,054,482</u>	<u>7.79</u>	<u>1,020,046</u>	<u>7.90</u>
Operating income	<u>\$ 58,116</u>	<u>\$ 0.43</u>	<u>\$ (118,260)</u>	<u>\$ (0.92)</u>
 Total Gallons Wastewater Billed	 <u>135,426,318</u>		 <u>129,111,793</u>	

See accompanying independent auditors' report

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Prepared in
Accordance with *Government Auditing Standards***



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

January 19, 2012

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Prepared in Accordance with Government Auditing Standards

To the Members of the Board:

We have audited the accompanying financial statement of the governmental activities, the business type activities and each major fund of the Glenwood Municipal Utilities as of and for the year ended June 30, 2011, which collectively comprise the Utilities' basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2012. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glenwood Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Glenwood Municipal Utilities' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

Continued...

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenwood Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Glenwood Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utilities' responses, we did not audit Glenwood Municipal Utilities responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Glenwood Municipal Utilities and other parties to whom the Utilities may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Glenwood Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

SCHROER & ASSOCIATES, P.C.

Schroer and Associates, P.C.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2011**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Financial Reporting

Comment – Due to misclassifications and unreconciled accounts, we recorded several adjusting journal entries. Adjustments were subsequently made by the Utilities to properly report the amounts in the Utilities' financial statements.

Recommendation – The Utilities should implement procedures to insure all receipts and disbursements are properly classified and to reconcile accounts to detailed sub-ledgers.

Response – We will perform more formal monthly closing procedures to provide more accurate interim financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2011**

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget

Comment - Disbursements during the year ended June 30, 2011, exceeded the amended budgeted amount. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion - Response accepted.

II-B-11 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No disbursements of Municipal Utilities' money for travel expenses of spouses of Municipal Utilities' officials or employees were noted.

II-D-11 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Lonnie Mayberry, Board Member through January, 2016, Employee of Land Surveying Services, Inc.	Upgrade Mapping System and Easement Documents	\$ 579

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the transaction was less than \$1,500 during the fiscal year.

Recommendation - The Utilities should seek legal advice on this matter.

Response - We will do this.

Conclusion - Response accepted.

II-E-11 Bond Coverage - Surety bond coverage of Municipal Utilities' officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-11 Revenue Notes - There were no revenue notes outstanding in fiscal year 2010 or 2011.

II-H-11 Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Municipal Utility's investment policy.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2011**

Part II: Other Findings Related to Statutory Reporting - Continued:

II-I-11 Statistical Information

<u>Description</u>	<u>Amount</u>
Water Customers served at June 30, 2011	2,275
Gallons of water pumped during the year ended June 30, 2011	264,527,000
Gallons of water sold during the year ended June 30, 2011	204,500,985